

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EURE-00 AID-05 CIAE-00 COME-00  
EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02  
OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05  
SS-15 STR-04 CEA-01 DODE-00 PM-04 H-01 L-03 PA-01  
PRS-01 /097 W

-----181627Z 081290 /65

P R 181611Z JAN 77  
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AMEMBASSY ROME  
AMEMBASSY TOKYO  
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USMISSION USBERLIN  
USMISSION NATO BRUSSELS  
USNMR SHAPE  
AMCONSUL FRANKFURT  
AMCONSUL MUNICH  
AMCONSUL BREMEN  
AMCONSUL DUSSELDORF  
AMCONSUL HAMBURG  
AMCONSUL STUTTGART  
CINC USAFE RAMSTEIN  
CINC USAREUR HEIDELBERG  
CINC EUR VAIHINGEN

C O N F I D E N T I A L BONN 00990

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: GDS  
TAGS: EFIN, ECON, GW  
SUBJECT: FRG POLICY-LEVEL OFFICIAL COMMENTS ON U.S.  
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### ECONOMIC STIMULATION AND THE GERMAN ANALOGUE

1. MANFRED LAHNSTEIN, FORMERLY THE PRINCIPAL ECONOMIC  
ADVISOR TO WILLY BRANDT WHEN HE WAS FEDERAL CHANCELLOR  
AND CURRENTLY THE ASSISTANT SECRETARY IN THE FINANCE  
MINISTRY RESPONSIBLE FOR ECONOMIC POLICY MATTERS,  
HAS TOLD US HE SEES A BASIC SIMILARITY IN PROPOSED \$30

BILLION U.S. STIMULATION PROGRAM AND THE FRG'S OWN EFFORTS IN THIS DIRECTION. NEITHER PROGRAM, IN HIS VIEW, WAS DRAMATIC. HE DID NOT, HOWEVER, ADVOCATE THAT MORE SHOULD BE DONE BUT THOUGHT THERE WAS A SHARED OPINION THAT THE OBJECTIVE CONDITIONS DID NOT CALL FOR MORE EXPANSIONARY POLICIES. THUS, LAHNSTEIN BELIEVED THE U.S. AND THE FRG HAD THE SAME VIEW OF ECONOMIC DEVELOPMENTS AND WERE ADOPTING THE SAME SORT OF RESPONSES.

2. LAHNSTEIN ASSERTED THAT, ALL THINGS TAKEN INTO ACCOUNT, THE MAGNITUDE OF THE DEFICITS THAT THE U.S. AND FRG WILL BE RUNNING AND THEREFORE THE STIMULATIVE EFFECT THEY WILL HAVE ON THE ECONOMY ARE ESSENTIALLY THE SAME. AS THE BASIS FOR THIS ASSERTION, HE SAID THAT THE 1977 PUBLIC SECTOR BUDGET DEFICITS IN BOTH COUNTRIES WILL APPROXIMATE THE SAME RELATIVE SHARE OF GNP. THE GERMAN "LONG-RANGE INFRASTRUCTURE INVESTMENT" PROGRAM, HE SAID, WOULD POSSIBLY BE ANNOUNCED THIS WEEK, BUT IN ANY CASE, NO LATER THAN NEXT WEEK. THIS PROGRAM WILL NOT RESULT IN ANY ADDITIONAL EXPENDITURES ON THE PART OF THE FEDERAL GOVERNMENT IN 1977, HE TOLD US. IT IS A MULTI-YEAR PROGRAM THAT WILL EXTEND OUT TO THE NEXT DECADE AND WILL NOT BE OF ANY EXCEPTIONAL MAGNITUDE.

3. HE CONSIDERED THE GLOOMINESS AND PESSIMISM CONCERNING THE ECONOMIC SITUATION TO BE UNEXPLAINABLE AND UNJUSTIFIED. THIS DIM VIEW HAS LED MANY COUNTRIES

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(BUT NOT THE FRG, HE NOTED POINTEDLY) TO PUT PRESSURE ON THE U.S. TO SUBSTANTIALLY REFLATE. GERMANY IS ALSO FEELING THESE SAME SORT OF PRESSURES. BOTH COUNTRIES, THE U.S. AND FRG, BEING BESIEGED BY OTHERS IN THE SAME WAY AND FOR THE SAME REASONS, PLACES US BOTH IN THE SAME BOAT. THEREFORE, THERE IS A MUTUALITY OF INTEREST IN OUR RESPONDING TO THESE PRESSURES IN A COORDINATED FASHION, HE SAID. IT IS IMPORTANT THAT OUR LEADERS GIVE THE IMPRESSION TO THE WORLD THAT WE ARE MODERATELY OPTIMISTIC ON THE OUTLOOK IN ORDER TO GENERATE A MORE POSITIVE PSYCHOLOGICAL TONE. THIS, LAHNSTEIN MAINTAINED, WOULD HELP TO DISSIPATE THE PESSIMISM AND RELIEVE THE PRESSURES BEING PUT ON BOTH COUNTRIES TO UNDULY EXPAND WHEN SUCH A COURSE, AS JUDGED BY OUR RESPECTIVE RESPONSES, WOULD BE UNWISE.

COMMENT--THE STRONG IMPLICATION WAS THAT PRESSURE FROM THE U.S. ON THE FRG TO PURSUE A MORE EXPANSIVE

POLICY WOULD NOT BE WELCOMED. THE BROOKINGS, OECD  
AND OTHER CALLS FOR GREATER GERMAN REFLATIONARY  
EFFORTS CLEARLY MAKES THEM UNCOMFORTABLE, AND THEY  
HOPE THAT THE U.S.G. WILL NOT JOIN THIS CHORUS.

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PERSONAL OPINION, POLICIES, ECONOMIC DEVELOPMENT, ECONOMIC PROGRAMS, CENTRAL GOVERNMENT  
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